

BUDGET REVIEW COMMITTEE

MAY 19, 2016

A meeting of the Budget Review Committee was held Wednesday, May 19, 2016, at 7:00 p.m. in the Aldermanic Chamber.

Alderman-at-Large Lori Wilshire, Vice Chair presided

Members of Committee present: Alderman-at-Large Brian S. McCarthy
Alderman-at-Large Michael B. O'Brien
Alderman Sean M. McGuinness
Alderman David Schoneman
Alderman Ken Siegel

Members not in Attendance: Alderman Richard A. Dowd, Chair

Also in Attendance: Alderman Tom Lopez

PUBLIC COMMENT - None

COMMUNICATIONS - None

DEPARTMENTAL REVIEWS

HYDROELECTRIC OPERATIONS

Dr. Madeleine Mineau, Waterways Manager

I am the new Waterways Manager and I do many different things for the city, I work on environmental issues related to our waters and water front as well as public access and public recreation, infrastructure including the hydroelectric projects as well as flood mitigation and flood plain management. The Waterways itself doesn't have a budget but we do have a budget for hydroelectric operations. This is a new department. Previously Jackson Mills was operated out of an expendable trust fund and now it's becoming its own department and a regular budget line item. I want to make it clear that this is only for Jackson Mills. A lot of you are familiar with the fact that we are acquiring Mine Falls but we decided to not budget for that at this time because we don't know exactly when that project is going to become under city ownership and so we are going to wait and see when that happens when we have a better idea of a closing date for that.

Alderman Schoneman

This used to be an expendable trust fund, what happened to that fund and we do have some income from the Mine Falls Dam now don't we?

Dr. Mineau

Yes.

Alderman Schoneman

Where is that accounted for?

Dr. Mineau

The lease payment for Mine Falls goes into general revenue just like the revenue from Jackson Mills goes into general revenue.

Alderman Schoneman

So there's no separate account or line item somewhere?

Dr. Mineau

Yes.

Alderman Schoneman

So the expendable trust fund was only for Jackson Mills and never for Mine Falls?

Dr. Mineau

There is a separate one for Mine Falls which was used to pay for the study to look at the condition of the facility.

Alderman Schoneman

So is the expendable trust fund zeroed out at this time?

Dr. Mineau

No, there are some funds left and my understanding is that the funds will be transferred to account for the majority of this budget for next year and only the funds remaining needed will be used in the budget.

Alderman Siegel

One of the things that is different is that we see expenses typically associated with personnel in here, telephone, voice, dues & memberships, license, permits and fees haven't shown up before, what is that?

Dr. Mineau

The only salary is out of the dam operating and maintenance services, we have a contract with Essex Power Services for the operation and maintenance and that's all rolled into that operating and maintenance.

Alderman Siegel

But why do we see things like telephone, dues & memberships and license and permit fees?

Dr. Mineau

We pay phone and internet at the facility, the dues & membership is our membership to Granite State Hydropower Association, they advocate on our behalf and the license permit and fees is the State Dam Registration fee which we have to pay to the New Hampshire Department of Environmental Services every year.

Alderman Siegel

It looks like the income minus the expenses, we are only netting out about \$40,200, is that historically where we have been?

Dr. Mineau

From calendar year 2015 we actually netted \$140,000. Right now river flows are really low and energy prices are really low so revenues are not great. These expenses include \$50,000 for upgrades that will be necessary to the electrical infrastructure due to renewing our interconnection agreement with EverSource which is one time thing that will be needed.

Alderman Siegel

Does this include any expenses for the repair of the fish ladder or any of that stuff?

Dr. Mineau

That's not needed at Jackson, that's Mine Falls.

Alderman McGuinness

Isn't the run of a river dam really profitable in the spring when all the snow melt is coming off?

Dr. Mineau

We didn't have any snow melt. There was no snow this year and river flows are way below average what is typical in New England.

FINANCIAL SERVICES

Mr. John Griffin, Chief Financial Officer

I'd like to begin tonight by indicating who the managers are in the Financial Services Division. David Fredette Treasurer/Tax Collector; Rose Evans, Accounting Compliance Manager; Jennifer Deshaies, Risk Manager; Dan Kookan, Purchasing Manager; Jay Hunnewell, Building Manager; John Duhamel, Chief Assessor; Angelo Marino, GIS Manager; Carolyn O'Conner, Public Works Financial Manager; and Janet Graziano, General Government Financial Manager. All of these team members are instrumental in providing the city with strong fiscal management and oversight. High level achievements for fiscal '16 are quite similar to what they were in fiscal '15. On the financial reporting side we have been awarded once again the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. We once again received an unmodified clean opinion from our external auditor's which we reported to the Finance Committee a few months ago. The auditors will frequently comment on how well prepared we are for their arrival. On the rating side we received two bond ratings earlier this year, Fitch reaffirmed the city's triple A rating and we were very pleased with Standard and Poor's assigning Nashua with a double A plus with a positive outlook, hopefully heading towards triple A. In their right up they cite very strong management, budgetary performance, budgetary flexibility, liquidity as well as debt and contingent liability profile. We all work hard to pull together the information that the rating agencies look forward to when they rate our general obligation bonds and we use, in addition to the finance team, we use Economic Development and Community Development and I'm very impressed with the capability that we have in that regard. These ratings are critical to borrow a favorable and competitive rate. We've had over 10 bidders for our bonds of late, whether it's refunding or a general sale. This budget well positions us to maintain our strong fiscal management profile and with that the proposed budget across the division will allow them to run effectively in FY 2017.

MISCELLANEOUS REVENUE

Mr. David G. Fredette, Treasurer/Tax Collector

I will point out that the leased dam line item is the Mine Falls revenue. Other General Government Revenue is just an area kind of unique thing; the Cable Franchise is the largest and we are estimating about \$875,000 for next year. That seems to be going up every year for the last 8 or 9 years. The facility rentals; Court Street is the majority of that but we also have the Nashua Ballet on Arlington Street that pays some rent.

FINANCIAL SERVICES

Mr. Fredette

On page 34 you will see the majority of the revenue that the city brings in. The big items here are motor vehicle permits or registration fees which have increased each year since 2010. We get meals and room tax, interest income and bond premiums; each year when we sell bonds we get quite a bit of premium and there's always a portion left over that ends up in revenue and becomes surplus at the end of the year.

Alderman Schoneman

On the motor vehicle permits, the actual in 2016 is \$10,875 through 430,000 so I would expect that for the rest of the year it would grow to a larger amount by some percentage yet the proposed is \$10,625. Is that a conservative number or do we think it could be higher than that or are we anticipating that it is going to shrink a little bit?

Mr. Fredette

It is a conservative number; we always budget conservatively on this line item because mainly over the years where the expenditure side of the budget has become so tight this is basically the major surplus account for the city. In the fall when we prepare the tax rate forms for DRA we look at some of these revenue items and we will adjust it at that time depending on what's happening in the first quarter of the fiscal year. I've been very conservative on this because back in 2007 our revenue on this line item went down drastically and it hit everybody in the state kind of off guard. We had a deficit for one or two years in a row that we never had before. Right now new cars seem to be going down a little right now but we do budget this line item very conservatively.

Alderman Schoneman

On the meals and rooms tax, what portion are meals and what portion are rooms? Are people coming to Nashua and staying in hotels?

Mr. Fredette

All of the rooms and meals and rooms tax goes to the state and they determine how much we get but it goes up every year; 4.1% is what we got last year. I will get a letter from the state in late summer so that number gets changed by me and DRA in our tax rate bonds because they know exactly how much we are going to get.

The Financial Services Group is made up of three areas; one is mine, the Treasurer/Tax Office which consists of motor vehicle registration, tax billing and collections, wastewater billing and collections, the treasury function and the parking ticket collection. There is a group of about 19 people.

Then there is the Accounting Department which is head by Rose Evans and the Chief Financial Officer is there also.

I eliminated two full-time positions in my office and replaced it with one and a half so I was able to save a little money there. The other area that I will point out is a new account under 55615, Filing and Recording Fees; I think you all know over the past two years we have been working on the new software for our tax billing and collections, it's called MUNIS. The bills that went out this week were under the MUNIS system with very few problems. Unfortunately in Admins we had a system set up where the Legal Department could do the search of mortgage deeds for us and this new system doesn't have that so we are going to contract it out to a company at least for the first year. It is something that they could develop so that's one of the new items in the budget for this year. The auditor's contract was re-negotiated this year so that went up a little. In conference and seminars we have a Lawson conference now and I also think there is some money in here for a MUNIS conference.

Alderman O'Brien

I am looking at mileage reimbursement and I hope that increase is for your new position joining us up in Concord.

Mr. Fredette

The reason why it is high this year is that I've been going to Concord a lot more than I've ever done before. Derek Danielson has been helping out too.

Alderman Schoneman

The half of FTE, is that someone who only works part-time for the city or a person that we are splitting with a different department?

Mr. Fredette

It's a part-time position in the tax office.

Alderman Schoneman

And that person doesn't work elsewhere in the city?

Mr. Fredette

No.

Alderman Schoneman

Under Conferences and Seminars you had \$5,000 last year and \$8,000 this year but nothing spent, is that yet to come?

Mr. Fredette

The Lawson conference I believe is in June.

PURCHASING

Mr. Dan Kookan, Purchasing Manager

On the revenue side it is entirely reimbursement of copying functions. When we do jobs for any of the departments in the city if there are grant funds involved then we bill it back.

We are slightly lower with the appropriations this year. The print operation changed so there are some supplies and things that are no longer being used so you will see a little bit of a reduction.

ASSESSING/OVERLAY

Mr. Jon Duhamel, Chief Assessor/GIS Manager

On page 37 is the revenue portion which is minimal, all we do is basically photo copies for that. I believe the expenditures start on page 87. We have 7 people in Assessing and right now the Deputy Assessor position is vacant and we are looking to fill that with a commercial assessor. Other than that we are not looking to make any staff changes.

Alderman McCarthy

How are we doing on assessments? What is the assessment to sales ratio and the COD?

Mr. Duhamel

Currently the ratio is at 88.5%; I am not sure on the COD but I can get that for you. The state guideline is 90% to 110%; it's not so low that it's alarming.

Alderman McCarthy

Are you going to do an update at some point in the foreseeable future?

Mr. Duhamel

In 2017 or 2018 probably.

Alderman Schoneman

If we do a re-evaluation would that be done by formula or going on and looking at the properties?

Mr. Duhamel

In-house.

Alderman Schoneman

Like we did last time?

Mr. Duhamel

Yes.

Alderman McCarthy

In that same vein I think with residential we are actually pretty good with those updates but how many properties do we actually go out and look at in the course of a year, both residential and commercial?

Mr. Duhamel

We review sales every year, new construction and building permits.

Alderman McCarthy

How many of those are we doing per year both in residential and commercial?

Mr. Duhamel

We get about 500 building permits per year so we are looking at least that. I apologize I've only been here for three weeks and I'm still getting a handle on things.

Alderman McCarthy

I think we've done a very good job of keeping the physical property data up-to-date so that when we are challenged we can defend ourselves and I think that's why we are able to do the updates rather than a mass appraisal on a more periodic basis than we have done and I'd like to see us keep it that way so I want to make sure that we are looking at stuff often enough that we don't get caught by surprises on appeals.

Mr. Duhamel

That is my goal as well.

Alderman Schoneman

May I ask what our asset base is these days?

Mr. Duhamel

It's \$8.7 billion.

Alderman Schoneman

And that's the assessed value, 85%?

Mr. Duhamel

Yes.

Mr. Griffin

That would be equalized value. The MS1 that I receive periodically is \$8.1 billion but it does jump up on the equalized value calculation but I couldn't tell you exactly how that's calculated but that's the number that they quote in our ratings. The rating report talks in terms of \$8.7 billion.

GIS

Mr. Angelo Marino, GIS Manager

I will start with the budget. If you look at my revenues, that \$2,000 is payment from Pennichuck; in addition to the city and Pennichuck splitting the license fee for our GIS software, Pennichuck utilizes our Pictometry Imagery and this payment allows them to use that annually but their payment hasn't been received yet. This year there was a large shake up. As you know I was doing Chief Assessor and GIS Manager up until April 1st and the city has now divided those two responsibilities now. GIS is no longer associated with Assessing except that we haven't split out the maps that we sell; those will still be collected by Assessing. There is now a part-time individual in the GIS budget and that's me. I work 24 hours per week and Mrs. Andruskevich is still the full-time GIS Technician. That's it in the nutshell but we are doing some pretty interesting things and I'd

like to see more departments take advantage of the GIS functions. We've got some great capabilities to provide information and publish it on the website and make it available to the taxpayers. This year we expanded our open data site. We make our GIS layers available through a portion of our on-line web portal and anyone who wants say the parcel layers, the building layers or the road center line layers can log onto our open data site and download that for free. It's all part of an open data initiative that's been going on across the country for the last year and a half. The most recent acquisition that we have had was in April, Pictometry came in and flew a nine mile segment of the city rather than the entire city and that nine miles covered the completed status of the Broad Street Parkway, the Renaissance downtown area as well as a sloth all the way over to the Merrimack River and down three miles. We feel this will enhance our ability to do economic development in those areas. Shortly those images will be posted to the city's GIS viewer and will be available for all of the taxpayers to see.

Alderman Siegel

The custom application that was put together that everyone can use has been very helpful. It really cuts down on the amount of time that you have to think about data and I would suggest that we all learn a little bit more about using it.

BUILDING MAINTENANCE (CITY BUILDINGS)

Mr. Jay Hunnewell, Building & Maintenance Manager

The Building/Maintenance Department is made up of five staff including myself. We provide various levels of support, maintenance and custodial support to seven city buildings, City Hall, the Public Health Department, the Court Street Theatre, the Senior Activity Center, the Arlington Street Fire House, Gilson Road Storage site and the Hunt Building. I do have one vacancy right now and that position has been posted and I to fill that shortly. My budget has come in under the Mayor's request. My proposed budget allows me to run my department effectively and there are no services or reductions that have been made to my budget that would affect operations.

Alderman O'Brien

What would happen if something catastrophic went in one of the buildings?

Mr. Hunnewell

That's a good question; my budget is for basic maintenance and custodial needs at those seven sites. We have a City Buildings Fund to cover any major expenditures for emergencies.

INSURANCE – PROPERTY & CASUALTY

Ms. Jennifer Deshaies, Risk Manager

Our office is responsible for administering the Property & Casualty Program which includes the processing of all Workmen's Comp, Auto, Property, and General Liability, including police professional, medical malpractice and employment practice claims. The program is self-insured for high retention levels and excess policies are afforded for exposures above and beyond our retention levels. We do not utilize the service of third party administrators or insurance companies as all claims are handled within our office. Much like an insurance company the Risk Management Department is also responsible for loss control activities. We assist departments with regulatory training and programs aimed towards preventing and mitigating accidents and losses; including worksite inspections. Through these efforts we develop a protocol and policy based upon exposures, liabilities and trends. The Commercial Driver Program, Building Activity Inspections and Safety Committees are a few of the activities managed or monitored by our department. Besides myself, our office consists of the Program Supervisor, a Loss Prevention Safety Analyst and two licensed Multi-claim Adjusters.

Our program extends coverage to both the city and the school department. Our budget is being proposed at a 1.2% increase over last year. One of the major changes within our budget is that we have requested an additional employee; an administrative assistant. This position would mostly support our Claims Adjusters. Over the years we have added cost saving objectives to our daily duties and this is reflected in one of our revenue lines; Claim Recoveries. As of today we have recovered \$100,921. Another cost savings that you do not see reflected is the effort of cold calling medical providers to negotiate their fees. In 2014 we saved \$175,808 with cold calls; in 2015 we saved \$113,005. While these actions predict good things for our financial future it has also placed an undue strain on the staff and other important duties were unattended. This year our cold calling negotiations have afforded us a savings of just \$33,233; that's a \$90,000 difference from last year. I attribute this to attempting to address my concerns of clerical duties in the closing of files which basically have a domino effect on our history and self-insured reporting. Currently we are also working on a protocol to address subrogation monies due to us from uninsured motorists. As this group grows in numbers our attempts to recover are weak and our current protocol ineffective. The new protocol will put additional demands on the current staff consisting of detailed preparation as well as being out of the office in order to present to the courts. Therefore, my recommendation is that we add this additional position to provide the needed support. In reply to the three questions that were asked, yes, the proposed budget will allow the Risk Management Department to run effectively in fiscal year 2017 and I do not feel that any critical services within the proposed budget have been eliminated or cut too low.

Alderman Siegel

So this administrative position is approximately what cost for salary and benefits?

Ms. Deshaies

We put it in for \$35,000; I think it was \$50,000 with all of the benefits.

Alderman Siegel

So for lack of that we have sacrificed around \$90,000?

Ms. Deshaies

Yes.

Alderman Siegel

That seems like a no-brainer.

Ms. Deshaies

I hope so.

Alderman McCarthy

In the claims numbers, why do we believe that property claims and general liability will go down?

Ms. Deshaies

We don't. Our projected 2017 budget numbers are based off of trends. We had a good year this year in a lot of our line items because we had a mild winter. Our third party liability claims are down because we weren't hitting anybody and there weren't slips and falls that we would have to defend. That being said our property damage is down as well for the same reason.

Alderman McCarthy

Does that translates into is we will have money left in the fund and we don't have to replenish it with as much for next year?

Ms. Deshaies

The money goes into the fund balance, that's correct.

Alderman McCarthy

So we are not necessarily believing that we had less claims last year, it's just because we had a good year.

Ms. Deshaies

Right and again, those numbers are trends off of the last ten years. We have really good data and we are trending off of that.

CAPITAL EQUIPMENT RESERVE FUND

Mr. Fredette

I forgot to mention with regard to the motor vehicle area, we do between 90 and 100 transactions per year and we were the second community to do on-line service for your registration. We get 10% participation on the on-line registration which to me seems very low but when I checked around with some of the other communities they only get 5% to 7%. We do about 32% via mail and 58% in the building. I thought on-line service would be higher.

As you know, back in 2010 the city put together a whole new Capital Equipment Reserve Fund and we have a plan that we update every year but unfortunately last year we had \$1.315 million and we actually asked for \$800,000 more than that last year and it was reduced and then this year we asked for \$2.5 million and it was reduced to \$1,836 million. It's reality and we deal with the departments that are very understanding about it and we meet with them and decide which vehicles need to be replaced higher than others and that's how we work it out.

Alderman Siegel

This is a real hot button with me. Separate from the previous year we are now \$720,000 short this year and I just feel like we are playing kick the can. I see the list that you provided and I will trust that's fine although it is interesting to see that we are only getting 2 ½ years out of our police cruisers but I know we are replacing a lot of them with Interceptors. What scares me is what's not on the list, what fell off the list because we are \$700,000 + dollars short? Every year we are going to cut \$700,000 out of what we think and ten years from now we are going to be in a gigantic crisis and we already know where it's going to start. I'm feeling like are we balancing this budget because we just decided to cut Capital Equipment Reserve Fund which effectively is our maintenance budget for our capital equipment. How did we arrive at this?

Mr. Griffin

Last year the difference between the \$2.1 million and the \$1.3 million was a recommendation from Director Fauteux that we didn't need to replace two major pieces of equipment. It wasn't that we took the equipment off the list, they moved into the ensuing year or years. Predominantly I think it was the solid waste packers. This year we are going to fund \$2.5 million based on the replacement of vehicles that were scheduled for fiscal '17. When we recognized the realities of the budget we reached out to the departments. In the process we asked the team members if they could move something into the next year. The police department feels very strongly

that they are on the road marked vehicles replaced the 100,000 miles, that's their target. They went to a two-year replacement schedule as opposed to a three. We are going to replace the equipment, it's just the timing thereof.

Alderman Siegel

I guess I am concerned that we keep moving things back a year, aren't we ultimately going to create a little bit of a cascade effect or do we honestly believe that our equipment is lasting a year longer than it should and that we are not creating a problem but recognizing that this equipment has a longer lifespan than we thought? I think that there is something "fishy" here.

Mr. Griffin

I have a couple of recommendations, one would be that the \$800,000 was Director Fauteux approaching the Mayor and I and Treasurer Fredette in the discussion of the Capital Equipment Reserve Fund to move those pieces forward. This year was an act of me, Mayor Donchess and Treasurer Fredette asking the departments if they could move something forward. I would expect and hope that on May 31st when Director Fauteux and her team come in that they address the issues.

Alderman Siegel

So the equipment predominantly is the DPW that got moved off of the bottom of that list?

Mr. Griffin

Correct.

Alderman Lopez

Was the health van on that list originally? My understanding is that there is a replacement being donated.

Mr. Fredette

I don't know anything about a donation but sometimes I am the last to know.

Vice Chairman Wilshire

They are working with St. Joseph's hospital to raise \$350,000 for a new health department van.

Mr. Griffin

Alderman Lopez, that would be a great question to discuss on Monday as Public Health and Community Services team will be in.

Alderman McCarthy

I'm a little confused about where we are with the fund. Even if we've moved stuff around in the schedule, we should have a certain percentage of value in the fund at any given point in time if it's 100% funded. Where are we relative to that for the items that are covered? If we had an item in CERF that is on a ten-year replacement schedule we should be sinking 10% of its cost every year so our annual contribution to the fund ought to be what the total sinking is for that year on the value of the assets that are in CERF. Where are we relative to where we should be with the items that are in there?

Mr. Fredette

I don't think I know that off-hand but I can get you that number.

Alderman McCarthy

That's the number that concerns me the most. If we think we can get an extra year out of something and we push it out that has an effect on what we put in the budget and we may be right or wrong but if we are putting that in we are still fully covered when we get to the point of replacing that thing. If what we are doing is saying well, we have a fleet of trucks that we need to put 10% of the money in to cover them because they have a ten-year lifespan and we are only putting in 5% then we are getting behind every year and when we get to the point of replacing it there won't be enough money in the fund. I'm asking how close to fully funded is the fund at this point?

Mr. Griffin

What we are doing with the worksheet is if there is a vehicle to be replaced in a certain year; that is the cost requirement in that particular year.

Alderman McCarthy

Yes but that doesn't help because that assumes...that's fine if every year has the same thing but if we have to replace a fire truck then that's a \$600,000 expense that we don't have funded in there and that's a huge bump in what goes into the budget. In theory we ought to be sinking enough money into the fund that there is always the right percentage of the value of the assets in there to replace them.

Mr. Griffin

We are not doing that in the fund, we are basically, if you recall Treasurer Fredette's presentation on April 14th he basically laid out; here's year one, here's the replacements by division for each year and we had a funding mechanism that we were adding \$250,000 every year to the appropriation to end up with a positive balance each and every year. Then there were certain decisions made on for example, a ladder or tower truck; we have to bond those. We probably have a hybrid; I'm not saying it's great, I'm just saying the reality of the budget...

Alderman McCarthy

As long as that method produces a larger number than mine does then we are fine.

Mr. Griffin

We end up with the same result. The challenge we have now is if we are going to take fiscal '17 vehicles and add them to fiscal '18 and keep '18 the same then...

Alderman McCarthy

But the way you are proposing doing that does not take into account the size of the upcoming expenditures, right?

Mr. Griffin

Correct.

Alderman McCarthy

If I have 20 things in the rotation, 19 of which are worth \$100,000 and the last one is $\frac{3}{4}$ of a million, we are in for a doozy of a bill when that one comes due.

Mr. Griffin

Last year I think we made the right decision, this year we are struggling because the difference between 2.5 and 1.836 million is bigger than \$100,000 left under the spending cap. We are working on a couple of things simultaneously; one thing is the pension situation but this is another one because we need to get to where you just described.

Alderman McCarthy

This is actually analogous to the pension situation in terms of the way the numbers are calculated.

Mr. Griffin

That's why I recommended that you pass the legislation for the \$350,000; you may want to put the \$350,000 in this fund and then be able to purchase \$350,000 worth of vehicles.

Alderman Siegel

The problem, again is when we bump a line item we are going to need 10 votes to pass the budget and we may get to that point but it's just overwhelmingly depressing. It would just be better if the numbers came in where they should be. Unfortunately we can kind of move some things out and put them in the next year but unless you can move a compensation amount in that following year forward again, eventually you are going to run into a brick wall. It is analogous to the pension but here's the difference, we control this screw up and we are cutting our own throat here so I am very reluctant to do that. This is a number that really bothers me. I don't have a good explanation for this except for at some point we might have to move money around to fix this, this is bad. We are under the cap but this is trickery; we are not really under the cap, what we have done is we've cut something which we should have set aside for maintenance and then declared victory. I'm not placing blame, it's just the reality. It's a false economy and we have to fix that.

Alderman O'Brien

From what I understand and we save money and say we push back a fire truck, does that fire truck have a rating on that type of equipment and as it gets older it doesn't hold the same value and it could affect the insurance rates of the taxpayer.

Mr. Fredette

We haven't held back any fire trucks since this plan started because they are bonded. Going toward what Alderman McCarthy asked, what John said is exactly how we do it and that's how it was presented in 2010. Each year we meet with all of the departments and go through the entire list and each year they say something can wait a year or two or they might say something has to be moved up. We should be putting \$2.5 to \$3 million in that plan per year.

Alderman O'Brien

I would also like to know, let's say I want to get a dump truck and I'm going to put it into the CERF account, what number do I put in?

Mr. Fredette

We have the current price of the vehicles and then we have an inflation factor in there that builds each year.

Alderman Schoneman

I am curious about the three automated refuse trucks; it looks like they are bonded. How is the decision made to do it by cash or bond?

Mr. Fredette

Back in 2010 when the plan was put together we just determined that items of a certain size and value would be bonded. Right now it's strictly landfill items and the fire department.

CAPITAL IMPROVEMENTS

Mr. Griffin

The items slated for fiscal '17 funding are in the parks area and with some street infrastructure improvements to include sidewalks, engineering bridge rehabilitation and then the traditional school and fire deferred maintenance as well as the airport phase 1 taxi lane reconstruction. My expectation would be this discussion is to lay out for the Budget Review Committee what is being proposed; the increase from \$622,500 to \$1.2 million and then the discussion of these items would take place when the respective groups come in. They would know, for example, Superintendent Caggiano along with Director Fauteux and the Mayor would know the importance of these particular items.

Alderman McCarthy

What bridge are we rehabilitating?

Mr. Griffin

I believe it's the Canal Street Bridge; it's really the beginning study of a bridge that needs to be looked at.

Alderman Siegel

I see the phase 1 taxi lane reconstruction at the airport; now I recall when they came in here that they were proudly declaring how they didn't need any city money and they didn't even want to show a budget yet here we are \$22,500 last year; \$24,400 this year, why isn't the airport paying for this out of the revenue that they are getting?

Alderman Schoneman

There are operational expenses and there is capital improvement. This is a capital improvement item and it's a much bigger project, this is about a 5% match and the money is not there. I think the airport should be viewed as an asset to the city. This is infrastructure like paving anywhere else. What is the value? That is something that they need to figure out and express but there is value to having the airport and I think the city funding it to keep it operational is helpful.

Alderman Siegel

That wasn't my question; I certainly understand the value of the airport and runways that don't have potholes in them. They were very insistent when they said they didn't need any city money and so that's why I am wondering. It was an interesting attitude and they gave us the impression that they would never need our

money. I am happy to help the airport pay for this but do we have an operational issue in the airport as far as their revenue stream and this is just an indicator of that?

Alderman Schoneman

There is potentially a revenue issue at the airport. Aviation in the country is in decline. There are some things that the airport needs to work on to improve the revenue issue. There are certain things that Massachusetts is doing that make them more competitive than us. There are issues with revenues that are not sufficient enough to cover capital. There was a fund that was established and has been paid down over the years. It's been paid down on capital projects that the city did not contribute to. I think the airport needs to get to the stage where they can manage both revenues better and expenses better. Those things have to happen.

Alderman McCarthy

I heard the same presentation. We've heard that once from the new airport manager basically. Having been through this a lot of time with airport managers, for a long time the airport was not self-sufficient. We were in fact subsidizing it operationally to the tune of about \$25,000 - \$50,000 a year. It became self-sufficient probably seven or eight years ago operationally. As Alderman Schoneman points out, it has been spending a capital reserve fund that it had on improvements. The biggest thing is we have a \$22 million new runway out there that we had to pay five percent of. We spent \$500,000 and the feds spent \$20 million to get us the runway. That has depleted the capital reserve fund to a large extent. I'm not unhappy with the request that we've had to do. This is a follow up to that to get the apron in the taxiways around the hangers and things up-to-date. I think the airport has been fairly diligent about trying to manage the cost of that project. That was the subject of a lengthy discussion at the last airport authority meeting. I think it's also probably the last big project we see out of them for some period of time. There's about \$2.5 million of paving to do altogether. Then it will be in good shape for some number of years. I'm not worried about this amount in terms of what it means to the revenue stream over time.

Alderman Lopez

At the joint meeting we had with the State Delegation a discussion was had about the extremely high taxes for new airplanes. People don't want to store at the Nashua Airport. If the airport for years needed to have its operations subsidized by the city and has transitioned to the point where for the most part solvent but needs a little bit of help, I see it as a great opportunity for the city to make sure the airport that we have has as much going for it as possible. Hopefully our state legislators will do something about what's really holding it back. I think there's a huge economic opportunity in having an airport.

Alderman Siegel

I don't have any problem spending the money on the airport. I have no problem with the value of the airport. It's my reaction to when they came in here. There was just this whole presentation, assuring us that we don't ever really need your help. This is small money. Fine. That's great as long as we don't have that kind of bizarre approach to the Aldermen questioning them when they come in without a budget.

Alderman Schoneman

I don't think we'll have that this year. As long as the airport can continue to operate in the black, I don't think we're going to have operational issues. Alderman Lopez made a very good point. There are two things that the airport needs to be able to sell itself. One is good infrastructure. This is about good infrastructure. The other is a favorable business climate. We do have to work on those things. I didn't attend the meeting last night, but there was discussion about starting to work on a strategy plan which has been missing for some time.

Alderman O'Brien

You mentioned the engineering and bridge rehabilitation was going to be on Canal Street. Around the same time frame, the Main Street Bridge was built. Are they looking at that as well?

Alderman McCarthy

Don't go there.

Alderman O'Brien

Okay. I know it burnt down in the twenties and that's the replacement. Okay, we won't go there

Alderman Siegel

I see the capital improvement projects certainly seem worthy. We have downtown improvement committee money. Some of that money should be used for this as well, especially in an environment where we are sucking pond for our shortfall in CERF, shortfall in pension. This money is coming out directly from the taxpayer's pocket. It is money we can't spend elsewhere. Of course we have to have the planters and the flowers and all that other stuff. Big hot button of mine.

Alderman McCarthy

I don't see the downtown improvements in the capital improvements.

Alderman Siegel

The rail trail lighting? That's a pretty big deal.

Alderman Lopez

The rail trail lighting is kind of a public safety issue because people use it to get back and forth from the different neighborhoods. It is actually intended to save a lot of money by making it so you don't have to a parks and recreation person come and literally water everything.

Alderman Siegel

I am happy with the projects; it's how they get paid for. I would be very, very happy if some of that downtown improvement committee money would go to improving that instead of the rest of the taxpayers funding it. Again, we are short of money for other things. The gun is to our head on maintenance and pensions.

Alderman Schoneman

The Labine Park carousel for \$60,000, this came through CDBG and it was rejected by CDBG. At CDBG we funded the bathroom. It was taken out primarily not because it's a good thing. This is part of the legacy playground. This is part of the proposedly free playground for the city. What came out of CDBG was they were going to work some more on their own funding. The space would be available if they wanted to do it in the future. I don't see why the city should be doing this. Do we know how much city money has been contributed to this playground thus far?

Mr. Griffin

I would have to get that for you.

Alderman Schoneman

I'd be curious to know. This is part of what they were going to donate, and I think they have the ability to do it. I'd like to see them fund it; not the city. In the end the city is going to be the biggest contributor to what was supposed to be funded as gift. I don't want to knock anything that they've done. It's a great thing that they've done, but I think they need to complete what they set out to do.

Alderman Lopez

I was one of the ones that raised the possibility that maybe they could wrap it into other fundraising that they are doing. The other argument is their purpose wasn't to give us a free playground. That was how they tried to convince the Board of Aldermen to do it. Their purpose was to create a handicapped accessible playground. I was not really happy about having to remove the carousel from the CDBG money. I thought it was a very good use of that funding. But when you have to compare that to not fixing the roof on the police athletic league then we have to focus on other things.

Alderman Schoneman

We talked about the ten quote problem. I think it's possible to get ten votes to raise things as long as we're getting votes to reduce some other things. But if we can find 8 votes to reduce things like this, we can probably find ten to put that money into CERF or wherever else.

WATER SUPPLY – PUBLIC HYDRANTS

Mr. Griffin

We have the hydro fees – fire protection as opposed to water supply for the hydrants. This particular line is derived by an estimate of expenses for this service from Pennichuck Corporation.

Alderman Siegel

Having spent two weeks on this, this is a number we can't change. It's very simple. It's tarified out.

STREET LIGHTING

Mr. Griffin

Based on the street lighting, based on our confidence level of moving forward with the LED replacement program, as you may recall that program will reduce our \$850,000 down to something close to \$400,000 - \$450,000. We conservatively estimated a \$200,000 reduction from the \$850,000. Siemens are highly motivated to get in and out as safely and effectively as possible. Once we change out the fixture, it goes on the log of EverSource and it is tariff rate so we get the immediate benefit. This number will hopefully be half of the \$850,000. There's actually a bonding for that so there will be some bonding that Treasurer Fredette will issue. That will be in probably Fiscal 'LA's debt service calculation.

Alderman McCarthy

Do they change the rate base in the tariffs as they go or is that going to be once at the end of the project?

Mr. Griffin

The initial effort is for the inventory to be provided of the lights that EverSource actually bills. They will be provided to the city and Siemens. It might be weekly. Then they go in and change the billing mechanisms. Probably month-to-month I would say, at a minimum. It they start soon it would be very helpful in fiscal '17.

Alderman O'Brien

I'm excited with the upgrade of the new LED lights. Just for some of the citizens out there, if you see a streetlight that isn't working, crews don't drive around at night to see if they are working or not. We're paying for that so I encourage the good people at home within the sound of my voice, call public service. We're paying for it.

Vice Chairman Wilshire

Would they call EverSource?

Alderman O'Brien

EverSource, excuse me.

PENSIONS

Alderman Siegel

I think we know what pensions are. The \$350,000 bump that's just because of the salary increases in the pension contributions that come from that. Is that correct?

Mr. Griffin

That's correct. In Fiscal '17 NHRS is not certifying new rates. They will be certified new in Fiscal '18. That's the approximate ten percent that we spoke about last night.

DEBT SERVICE

Mr. Fredette

The amount is lower than last year. We had some refunding bonds in 2016, along with regular sales. The sale this year was smaller than we had originally planned so that also helped a little. We put a plan together every year that goes out about five or six years based on the capital improvements and discussions with different departments and divisions. We try to follow that as close as possible, but it seems like every year something might come up that nobody discussed too much. We've been selling around \$15 million to \$20 million a year each year. Over the last few years a lot of that was Broad Street Parkway and schools. We have about three school projects almost in a row that we were selling for. On the payment side, it's going down between \$1 million a year and \$500,000. After 2022, I think in 2023, the payment goes down about \$1.5 million because we're paying off the high school bond then. That allows us when we sell new bonds; we try to control the budget so it doesn't fluctuate too much from year to year.

Alderman Siegel

In the description of all the bonds that are outstanding, there are certain items that are refunding. Are those bonds that have been refunded or we are planning to refund?

Mr. Fredette

We did a sale in February. That sale included some refunding bonds with the new money. They are actually refunding.

Alderman Siegel

When I see 1.7422% that's our current rate of interest. That isn't a bond that somehow we traded for a higher rate of interest?

Mr. Fredette

That's the current rate. We're in the middle of doing a refunding right now.

Alderman Siegel

Those are low because those are short duration bonds, right?

Mr. Fredette

There's only six years left on those bonds.

GENERAL CONTINGENCIES

Mr. Griffin

General contingency, we're recommending \$250,000. Contingency for police grants, that's the match. The 70150, contingency for negotiations is predominately on the school department side. They budget in their budget salary negotiation amounts. We at the very end take those amounts and move them into this. When they contracts come before the Board of Aldermen, you would simultaneously approve the transfer to the school district.

Alderman Schoneman

So this appropriation really came from the school?

Mr. Griffin

Correct.

Alderman McCarthy

We traditionally moved all of the negotiations contingencies into one place so it's a deep dark secret how much money we have to negotiate with.

RETIREMENT EFT

Mr. Griffin

On the city side several years ago there was a decision made to appropriate money to what's referred to as a retirement expendable trust fund. On the city side, if an individual retires in a department, that number, that final payment is calculated. This particular fund moves the money for that final payment retirement to the budget of that department. In this particular year, we had 13 policemen retire and four firemen retire and a few others. That has created about a million dollars' worth of need for a fund that started off with \$455,000 in it. We came in in March to ask for \$150,000 of general contingency to move into this particular account. The fire department has done a nice job with their four retirees, paying for the three most recent retirees in their budget. Speaking to Business Manager Smith the other day, she expects another three officers to retire before June 30, which is going to be an approximate \$130,000 need. What may happen, to the extent they have savings in non-salary line items, such as gasoline, the entire budget may be in the black so we won't

need to put money in. We're trying to work closely together. Since Fiscal '10 this particular budget has been as high as \$700,000 appropriations and as low as \$450,000. On the school department side, they budget for their retirements as well in their budget. In Fiscal '16 they budgeted \$800,000. In this budget there's another \$800,000 for their retirements.

CONTINGENCY NEGOTIATIONS

Vice Chairman Wilshire

I think we've covered this. You said that's mostly school.

Mr. Griffin

Right.

Mr. Fredette

Next Monday night you have a public hearing on a bond resolution. I am out of town so I will not be able to come. In the past I've come. It's a Telecom resolution, \$2.2 million. That's something that has been in the plan for a while.

UNFINISHED BUSINESS - RESOLUTIONS

R-16-029

Endorser: Mayor Jim Donchess

**ESTABLISHING AN EXPENDABLE TRUST FUND FOR RIVERWALK WALKWAYS, BRIDGES
AND RELATED IMPROVEMENTS AND APPROPRIATING AT LEAST \$500,000 INTO THE
EXPENDABLE TRUST FUND**

- Postponed to May 23, 2016

UNFINISHED BUSINESS – ORDINANCES

NEW BUSINESS – None

TABLED IN COMMITTEE

R-16-030

Endorsers: Mayor Jim Donchess

Alderman Richard A. Dowd

Alderman-at-Large Lori Wilshire

Alderwoman Mary Ann Melizzi-Golja

Alderman-at-Large Michael B. O'Brien, Sr.

Alderman-at-Large Brian S. McCarthy

**CREATING A SPECIAL REVENUE FUND FOR SCHOOL CAREER AND TECHNICAL EDUCATIONS
(CTE) TUITION FEES**

- Tabled pending Public Hearing – 5/16/16

R-16-033

Endorser: Mayor Jim Donchess

**AUTHORIZING THE MAYOR AND CITY TREASURER TO ISSUE BONDS NOT TO EXCEED
THE AMOUNT OF TWO MILLION TWO HUNDRED THOUSAND DOLLARS (\$2,200,000) FOR
THE PURCHASE AND INSTALLATION OF A CITYWIDE TELECOM
SYSTEM**

- Tabled pending Public Hearing – 5/16/16

R-16-034

Endorser: Mayor Jim Donchess

**RELATIVE TO THE ADOPTION OF THE FISCAL YEAR 2017 PROPOSED BUDGET FOR
THE CITY OF NASHUA GENERAL, ENTERPRISE, AND SPECIAL REVENUE FUNDS**

- Tabled pending Public Hearing – 5/16/16

GENERAL DISCUSSION - None

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN

POSSIBLE NON-PUBLIC SESSION

ADJOURNMENT

**MOTION BY ALDERMAN MCCARTHY TO ADJOURN
MOTION CARRIED**

The meeting was declared closed at 8:34 p.m.

Alderman Sean M. McGuinness
Committee Clerk